

1991-92	1992-93
82,105,560	81,881,117
	60,000
10 2,448,811	2,284,361
1,640,165	1,516,90
	54,51
810 1,942,562	1,873,7

# APPROPRIATIONS IN THE 1992-93 STATE BUDGET FOR HIGHER EDUCATION



## CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

## Summary

In this report, the Commission staff discusses the 1992-93 State Budget, with particular emphasis on appropriations for California's public colleges and universities, the California Student Aid Commission, and the California Postsecondary Education Commission

After an introduction explaining the overall budget, the staff summarizes data about the amount of appropriations for higher education on page 3 and then discusses the appropriation for the University of California on pp 5-7, that for the California State University on pp 7-9, for the California Community Colleges on pp 9-11, the Student Aid Commission on pp 11-12, and the Postsecondary Education Commission on pp 12-13

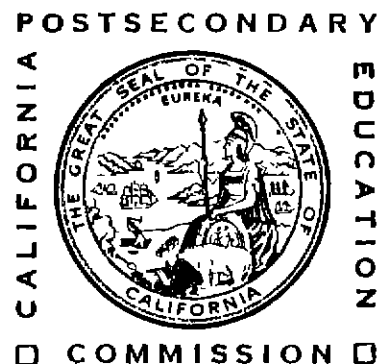
On page 14, the staff states, "The 1992-93 State Budget -- for the second consecutive year -- makes real reductions in the amount of State General Fund support provided to California higher education. In total, California higher education will receive over \$800 million less in General Funds this year than last -- with its percentage of the State General Fund budget decreasing from 13.4 percent to 11.7 percent." And on page 15 the staff comments, "the budgetary reductions enacted again this year mean that California higher education is moving even further away from its ability to adhere to the principles outlined in California's Master Plan for Higher Education. Those principles of student access to, quality in, and choice among California's colleges and universities are at serious risk."

The Commission discussed this report on October 19, 1992, during the meeting of its Governmental Relations Committee. Additional copies of the report may be obtained from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938.

# APPROPRIATIONS IN THE 1992-93 STATE BUDGET FOR HIGHER EDUCATION

*A Staff Report to the California  
Postsecondary Education Commission*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION  
1303 J Street ♦ Fifth Floor ♦ Sacramento, California 95814-2938





**COMMISSION REPORT 92-27**  
**PUBLISHED OCTOBER 1992**

*Contributing Staff* Karl M. Engelbach

This report, like other publications of the California Postsecondary Education Commission, is not copyrighted. It may be reproduced in the public interest, but proper attribution to Report 92-27 of the California Postsecondary Education Commission is requested.

# Contents

<i>Page</i>	<i>Section</i>
1	The Final 1992-93 Budget Act
2	The State Budget for California Higher Education
5	<i>University of California</i>
7	<i>The California State University</i>
9	<i>California Community Colleges</i>
11	<i>California Student Aid Commission</i>
12	<i>California Postsecondary Education Commission</i>
13	Senate Bill 1533
14	Summary and Conclusions
17	Appendices
17	A: Supplemental Report Language Regarding the California Postsecondary Education Commission
19	B: Vetoed Budget Control Language (AB 979) Regarding the California Postsecondary Education Commission



# APPROPRIATIONS IN THE 1992-93 STATE BUDGET FOR HIGHER EDUCATION

**T**HIS REPORT summarizes the actions taken by the Governor and Legislature on the 1992-93 Budget and reviews the effect of these actions on California higher education institutions

## **The final 1992-93 Budget Act**

On September 2, 1992 -- an unprecedented 64 days into the new fiscal year -- Governor Pete Wilson signed into law Assembly Bill 979 -- the 1992-93 Budget Act. The Governor vetoed \$450 million from the \$57.9 billion budget sent to him by the Legislature. The final \$57.4 billion budget provides for expenditure of \$40.8 billion in General Funds -- a 5.2 percent decrease over the 1991-92 State Budget.

"This year's record-breaking impasse in enacting the State Budget stemmed largely from the size of the State's budget deficit -- the gap between anticipated revenues and the amount needed to support State programs at their current levels -- and the fact that it came on the heels of last year's \$13+ billion deficit."

This year's record-breaking impasse in enacting the State Budget stemmed largely from the size of the State's budget deficit -- the gap between anticipated revenues and the amount needed to support State programs at their current levels -- and the fact that it came on the heels of last year's \$13+ billion deficit. While the 1992-93 budget deficit was originally estimated to be approximately \$5 billion in January 1992 when the Governor presented his proposal for a 1992-93 State Budget, by May that deficit had more than doubled -- amounting to more than \$11 billion. Furthermore, unlike last year in which the \$13 billion deficit was resolved half with an increase in taxes and half through program reductions, this year the Governor was steadfastly opposed to any increase in taxes and similarly opposed to any deficit spending or deficit rollovers. As a result, in order to structure a balanced 1992-93 State budget and eliminate the \$11 billion deficit, all State programs were subject to reductions in their State support. The most controversial of those reductions and the ones that contributed most to the delay in enacting the budget were funding for K-14 education as required by Proposition 98 and the level of support that the State would provide to local governments.

The 1992-93 Budget plan actually consists of over 20 other measures that make the statutory changes in State programs necessary to achieve the budgeted savings.

According to the Department of Finance, the 1992-93 Budget Act (1) is balanced, (2) contains no new taxes, and (3) contains no deficit spending or deficit rollovers. Further, according to the Department, included among

the primary features of the 1992-93 Budget are these

- ♦ Public schools and community colleges receive the top priority in the budget, with total Proposition 98 funding in 1992-93 equaling \$24.4 billion -- a 4.5 percent increase over the 1991-92 level (Almost 44 percent of total State General Fund revenues will be expended in support of K-14 education )
- ♦ Total funding provided for K-12 programs (including non-General Funds) is \$27.7 billion -- 4.9 percent more than last year. Funding per student is \$4,185 -- identical to the 1991-92 level -- as a result of a \$732 million loan that the schools may be required to repay from subsequent years' State appropriations
- ♦ State aid to local government is reduced a total of \$1.3 billion from its 1991-92 level. At the same time, counties receive substantial relief from state mandated requirements regarding general assistance and indigent health care
- ♦ State funding for the University of California and the California State University is reduced \$415 million from the Governor's January budget proposal, a portion of which is offset by an increase in student fee revenue
- ♦ Funding for correctional programs is reduced by \$149 million
- ♦ Funding for state operations in the executive branch is reduced by \$175 million. For most General Fund agencies, this translates into a 15 percent budget reduction. Further, the Budget reduces funding for most special fund agencies by 10 percent, generating savings of approximately \$40 million

“State funding for the University of California and the California State University is reduced \$415 million from the Governor's January budget proposal, a portion of which is offset by an increase in student fee revenue ”

The Budget eliminates funding immediately for 47 advisory boards and commissions. Funding for hundreds of similar bodies is eliminated effective January 1, 1993

### **The State budget for California higher education**

Unlike most other State programs, California higher education -- with the exception of the California Community Colleges -- is not constitutionally or statutorily guaranteed to receive a certain level of State funding. This lack of protection means that higher education is particularly vulnerable to budgetary reductions. Unfortunately, that fact is clearly demonstrated in the 1992-93 Budget Act which significantly reduces State General Fund support to California's public colleges and universities. Display 1 on the next page shows how the 1992-93 State Budget will affect funding for California's higher education entities, while Display 2 on page 4 shows changes in resident student fee levels resulting from this year's State budget.

**DISPLAY 1** *Actual 1991-92 and Budgeted 1992-93 State General Fund Appropriations,  
Student Fee Revenues and Local Property Tax Revenues Available to California's  
Higher Education Systems, in Thousands of Dollars*

<u>Educational System</u>	<u>1991-92</u>	<u>1992-93</u>	<u>Dollar Change</u>	<u>% Change</u>
<i>University of California</i>				
State General Fund	\$2,105,560	\$1,881,117	-\$224,443	-10 6%
Net Increase in Student Fee Revenue		60,000		
Total General Fund and Student Fee Revenue	2,448,811	2,284,368	-164,443	-6 7%
<i>The California State University</i>				
State General Fund	1,640,165	1,516,908	-123,257	-7 5%
Net Increase in Student Fee Revenue		54,500		
Total General Fund and Student Fee Revenue	1,942,502	1,873,745	-68,757	-3 5%
<i>California Community Colleges (Local Assistance)</i>				
State General Fund	1,694,847	1,263,500	-431,347	-25 4%
Local Property Tax Revenues	844,352	1,090,000	245,648	29 0%
Net Student Fee Revenue	84,000	130,000	46,000	54 7%
Loan	0	241,000	241,000	
Total	2,623,199	2,724,500	101,301	3 8%
<i>Hastings College of the Law</i>				
State General Fund	13,621	12,038	-1,583	-11 6%
Net Increase in Student Fee Revenue		600		
Total General Fund and Student Fee Revenue	17,946	16,963	-983	-5 4%
<i>California Maritime Academy</i>				
State General Fund	7,063	6,301	-762	-10 7%
Net Increase in Student Fee Revenue		300		
Total General Fund and Student Fee Revenue	7,543	7,081	-462	-6 1%
<i>California Student Aid Commission (Local Assistance)</i>				
State General Fund	169,927	145,086	-24,841	-14 6%
Federal Funds	11,096	11,764	668	6 0%
Other Funds	1,004	1,070	66	6 5%
Total	182,027	157,920	-24,107	-13 2%
<i>California Postsecondary Education Commission</i>				
State General Fund	3,028	2,562	-466	-15 3%

Source California Postsecondary Education Commission staff analysis of the 1992-93 State Budget Act



**DISPLAY 2    *Systemwide Resident Student Fee Charges in 1991-92 and 1992-93 at California's Public Colleges and Universities***

<u>Educational System</u>	<u>1991-92</u>	<u>1992-93</u>	<u>Annual Dollar Increase for a Full-Time Student</u>	<u>Annual Percentage Increase for a Full-Time Student</u>
<i>University of California</i>				
Undergraduate and Graduate Students	\$2,274	\$2,824	\$550	24 1%
Law/Medical Students	2,650	3,200	550	20 7%
<i>The California State University</i>				
Undergraduate and Graduate Students*	936	1,308	372	39 7%
<i>California Community Colleges</i>				
Prior to January 1, 1993				
All Students	\$6 per semester unit, with \$60 cap per semester	\$6 per semester unit, with \$60 cap per semester	0	0 0%
After January 1, 1993				
Students Without a Bachelor's Degree	\$6 per semester unit, with \$60 cap per semester	\$10 per semester unit, with no cap per semester	180	150 0%
Students With a Bachelor's Degree	\$6 per semester unit, with \$60 cap per semester	\$50 per semester unit, with no cap per semester	**	**
<i>Hastings College of the Law</i>				
Law Students	2,650	3,200	550	20 7%
<i>California Maritime Academy</i>				
Undergraduate Students	978	1,369	391	39 9%

\* Students seeking a second duplicate degree will be required to pay a higher fee effective January 1, 1993

\*\* These students typically enroll in only one or two courses per semester and not as full-time students

Note For purposes of this display, a full-time student is one enrolled in 15 units of credit instruction

Source California Postsecondary Education Commission staff analysis of the 1992-93 State Budget Act.

Despite these problems, the budget does contain one slightly encouraging provision affecting higher education. The final budget act requires the Director of Finance to reduce the appropriations of most General Fund agencies further than specified in the budget in order to achieve a cumulative reduction of up to \$65 million -- but all higher education entities, with the exception of the California Community Colleges, are exempt from the further reductions required by that provision. While the community colleges are not protected by these provisions, funding for the colleges is essentially protected from further reductions as a result of Proposition 98 guarantees. The Chancellor's Office of the community colleges, however, is not protected from further reductions.

### *University of California*

“The University of California's State General Fund budget is \$1.88 billion -- \$224 million, or 10.7 percent, less than that provided in 1991-92. That \$224 million reduction in State support -- all of which is unallocated -- is approximately \$30 million deeper than the University had anticipated since July.”

The University of California's State General Fund budget is \$1.88 billion -- \$224 million, or 10.7 percent, less than that provided in 1991-92. That \$224 million reduction in State support -- all of which is unallocated -- is approximately \$30 million deeper than the University had anticipated since July.

To offset a portion of the anticipated decrease in State General Fund support, this past January the Regents approved a 24 percent, or \$550, fee increase for all students. This increase will generate approximately \$60 million in additional revenue for the University after providing financial aid to assist all needy students with the increase. After taking into consideration the increase in student fee revenue, the University's base budget (State General Fund and student fee revenues) will decrease by approximately 6.7 percent in 1992-93 -- nearly \$165 million less than available to the University from these sources last year.

*Proposed budget control language.* In passing the budget bill, the Legislature included considerable budget control language expressing legislative intent that the University undertake certain specific actions. Included in the legislative intent language were these instructions:

- ♦ Enroll as many students as identified in the Governor's January Budget (152,910 full-time-equivalent students), admit at least as many community college students as in 1990-91, and offer at least as many course sections as in 1991-92.
- ♦ Do not reduce expenditures for educational equity programs.
- ♦ Increase undergraduate resident student fees by 24 percent (\$550), increase graduate student fees by a total of \$1,050, and increase fees for students in medicine, veterinary medicine, dental, and law programs by a total of \$1,550. Except for charging an additional amount to students seeking a duplicate degree, the University shall not increase fees beyond these levels. The \$550 undergraduate fee increase should be considered

a one-year surcharge

- ♦ Alter the distribution of the faculty workload by (1) increasing the number of courses and sections offered, (2) increasing the number of freshman and sophomore seminars, (3) increasing research opportunities for undergraduates, and (4) reducing class size when desirable. These changes are anticipated to increase the average teaching load by one additional course every three years
- ♦ Pay merit salary adjustments to faculty who were granted them last year but did not receive them because of the budgetary situation, and grant and pay merit increases for six months to both faculty and staff eligible for them this year, effective January 1993
- ♦ Reduce by 10 percent the salaries paid the top 22 administrators who earn deferred compensation, and reduce by 4.66 percent the salaries paid all other University employees

“The Governor vetoed these provisions because he concluded that they were unduly restrictive and would impair the ability of the University to manage its affairs in the most efficient manner possible. The Governor believes that ‘Flexibility is especially important during this time of fiscal constraints’-- a theme repeated throughout his veto messages for all higher education systems.”

The Governor vetoed these provisions because he concluded that they were unduly restrictive and would impair the ability of the University to manage its affairs in the most efficient manner possible. The Governor believes that “Flexibility is especially important during this time of fiscal constraints”-- a theme repeated throughout his veto messages for all higher education systems

*The Regents’ plan to deal with the University’s budgetary reduction:* In January, the Regents adopted a budget plan that assumed a \$31 million increase in State General Fund support consistent with the Governor’s proposed January budget. In addition to the 24 percent student fee increase described above, the plan as adopted by the Regents would have (1) maintained student access, (2) reduced State support for the Office of the President by 25 percent, (3) not imposed further reductions in teaching, research, and public service, (4) provided merit increases to both faculty and staff, but no general salary increases, (5) frozen compensation levels for most senior executives, (6) provided incentives for early retirement of senior faculty and staff, and (7) increased the number of courses and sections offered.

At the Regents’ September 18 meeting, they began to discuss the options available to them in dealing with the final State budget, which imposes a reduction of an unprecedented magnitude. Since the number of options are limited in the short term (meaning the 1992-93 academic year) as a result of the lateness in the adoption of a State budget, the Regents are considering the following actions for 1992-93:

- 1 Over \$60 million in reductions to their nonsalary budgets (instructional equipment, deferred maintenance, library books, etc.),
- 2 One-time use of \$20 million in University Opportunity and Lottery Funds which would normally be used for other purposes,

- 3 Over \$100 million in reductions in faculty and staff principally through early retirements, voluntary reductions in the amount of time employees work, hiring freezes, and if necessary employee layoffs, and
- 4 Borrowing up to \$70 million with the exact amount of the loan and its payback plan to be discussed by the board in the Spring

In the longer term beginning in 1993-94, the Regents are considering

- 1 Reducing enrollments by 12,000 to 16,000 full-time-equivalent students, with these reductions translating into the elimination of about 900 faculty, 750 staff, and 250 teaching assistants,
- 2 Reducing between 1,600 and 2,400 staff involved in administration, research, and public service (staff and faculty reductions would come principally from early retirements and hiring freezes that will begin this year, as noted above),
- 3 Increasing student fees between \$300 to \$450 per year for all students, and additional increases for students enrolled in professional programs as well as for those who are seeking a second degree at the same level as a degree they already possess, and
- 4 Permanent reductions in non-salary budgets

The Regents anticipate discussing the 1993-94 budget and these options further at their October 15 meeting

*The California  
State University*

The State University's State General Fund budget is \$1.51 billion -- \$123 million or 7.5 percent less than that provided in 1991-92

In order to offset a portion of this reduction in State General Fund support, the Trustees of the State University desired to increase student fees by 40 percent or \$372 per year for a full-time student. However, unlike the University of California which is constitutionally autonomous and has the authority to set student fee levels without legislative and gubernatorial approval, the State University does not possess such authority. Without a change in State statute, State University student fees could not increase more than 10 percent. As a result, the State University requested statutory permission to increase student fees by 40 percent. That permission was provided in Senate Bill 1972 -- one of the more than 20 budget trailer bills required to enact the provisions contained in the Budget Act. While the bill authorizes the State University to increase student fees by 40 percent this year, it also requires the fees to be fixed at the same level for the next two years -- 1993-94 and 1994-95 -- and the base fee to be used in setting the 1995-96 student fee level be the amount without the 40 percent fee increase.

SB 1972 also requires the University of California, the California State

“SB 1972 also requires the University of California, the California State University, Hastings College of the Law, and the California Maritime Academy to charge duplicate degree tuition to students enrolled in a course of study leading to a degree at the same or lower level than the degrees they already hold. As the Commission may recall, this was one of the short-term options and alternatives that it considered as part of a series of undesirable options to partially assist in bridging higher education’s funding gap.”

University, Hastings College of the Law, and the California Maritime Academy to charge duplicate degree tuition to students enrolled in a course of study leading to a degree at the same or lower level than the degrees they already hold. As the Commission may recall, this was one of the short-term options and alternatives that it considered as part of a series of undesirable options to partially assist in bridging higher education’s funding gap. Under the provisions of the bill, (1) dislocated workers, (2) displaced homemakers, (3) individuals enrolled in their first credential program, and (4) recipients of AFDC, SSI/SSP, or general assistance are exempted from paying duplicate degree tuition which is to be set by the governing boards at not less than the system’s marginal cost per student and at no more than the level of nonresident tuition. Each system is to report on or before April 1, 1993, concerning the implementation of duplicate degree tuition. The provisions relating to duplicate degree tuition will sunset as of August 31, 1996, and will apply to the University of California only if the Regents choose to adopt them. As noted previously, the Regents will be discussing this option at their October 15 meeting.

The 40 percent increase in State University student fees was originally estimated to generate approximately \$80 million in additional revenue for the State University after providing financial aid to assist all needy students with the fee increase. However, that fee increase is now estimated to generate only about \$55 million in revenue after providing financial aid. This decline in projected fee revenue comes as a result of the enrollment declines which the State University campuses are experiencing this fall.

After taking into consideration the revised increase in student fee revenue, the State University’s principal budget (State General Fund and student fee revenues) will decrease by approximately 3.5 percent in 1992-93 -- about \$69 million less than available to the State University from these sources last year.

To further aid the State University in dealing with these budgetary reductions, it also requested authority to offer an early retirement program to its most senior faculty members. That request was also granted through passage of Assembly Bill 1522 (Campbell), which grants up to four years of service credit to qualifying faculty if they retire from the State University within a specified time period.

Similar to the University, the Legislature also included considerable budget control language expressing legislative intent that the State University do certain specified things. This legislative intent language included these provisions:

- ♦ Enroll as many students as identified in the Governor’s January Budget (272,650 full-time-equivalent students), admit at least as many community college students as in 1990-91, and restore at least 5,500 of the 9,000

course sections canceled in 1991-92 because of budget reductions (The Legislature indicated its belief that a portion of the course restoration should be possible as a result of savings from implementation of the early retirement program for eligible faculty )

- ♦ Use the entire endowment fund to support the early retirement program authorized in AB 1522
- ♦ Do not reduce expenditures for educational equity programs
- ♦ Increase resident student fees by 40 percent (\$372) Except for charging an additional amount to students seeking a duplicate degree, the State University shall not increase fees beyond these levels
- ♦ Require that 30.9 percent of the additional revenue generated as a result of the increase in student fees be used for student financial assistance In addition, up to \$36 million of the State University's budget should be used to augment student financial aid programs over their prior year's level
- ♦ Defer implementation of a teaching workload reduction negotiated with the California Faculty Association

While most of the State University's reduction is unallocated, the Legislature specified that certain amounts were to be reduced from instructional equipment replacement, funding for deferred maintenance, price increases, funding for new space, funding for space rental, revenue resulting from duplicate degree tuition, and revenue bond payments

The Governor also vetoed these provisions, noting again that such provisions are unduly restrictive and will impair the ability of the State University to manage its affairs in the most efficient manner possible He also noted that while the Legislature intended that the State University use its entire lottery endowment fund to support its early retirement program, he believes that the Legislature's prescribing how lottery funds are to be used conflicts with current law that grants educational entities the authority to spend lottery money as they choose as long as it is for instructional purposes

### *California Community Colleges*

Unlike the University and State University, which rely principally on State General Fund and student fee revenues for their basic support, the community colleges rely on local property tax revenues for a significant portion of their support As Display 1 shows, State General Fund support for the community colleges is \$1.26 billion -- \$431 million, or 25.5 percent, less than in 1991-92 At the same time, however, local property tax revenue to the community colleges will increase by \$245 million, or 29.1 percent, in 1992-93

Furthermore, the final budget act and its accompanying legislation impose

“ the final budget act and its accompanying legislation impose a series of student fee increases in the community colleges Senate Bill 766 -- another budget trailer bill -- outlines these proposed increases in community college student fees (1) through December 31, 1992, student fees in the community colleges will continue at their current level -- \$6 per unit up to \$60 per semester, (2) effective January 1, 1993, and until January 1, 1995, fees for students who do not possess a bachelor's degree rise to \$10 per unit with no cap, and (3) effective January 1, 1993, and until January 1, 1996, fees for students with a bachelor's or more advanced degree rise to \$50 per semester unit ”

a series of student fee increases in the community colleges Senate Bill 766 -- another budget trailer bill -- outlines these proposed increases in community college student fees (1) through December 31, 1992, student fees in the community colleges will continue at their current level -- \$6 per unit up to \$60 per semester, (2) effective January 1, 1993, and until January 1, 1995, fees for students who do not possess a bachelor's degree rise to \$10 per unit with no cap, and (3) effective January 1, 1993, and until January 1, 1996, fees for students with a bachelor's or more advanced degree rise to \$50 per semester unit

As the Commission may recall, in its discussion of the short-term options and alternatives that could help the systems bridge the gap in needed revenues, it identified the concept of charging a higher fee to students enrolled in the community colleges if they already possessed a bachelor's or more advanced degree as one of the more desirable options of the many undesirable options available In addition, the Commission staff also recommended that should any fee increases be implemented in the community colleges this year, they should not occur until January 1, 1993, in order to provide adequate time for notification of students and enable needy students to apply for financial aid to cover the higher fee levels

Under the provisions of SB 766, the community colleges may exempt (1) dislocated workers, (2) displaced homemakers, (3) recipients of AFDC, SSI/SSP, or general assistance, and (4) nonresident students from paying the \$50 per semester unit fee if it is applicable to them The community colleges are required to report by January 1, 1994, on the implementation and impact of the \$50 per semester unit charge on degree holders In addition, the bill also protects the community colleges in 1993-94 from any reductions in revenues potentially resulting from a decrease in full-time-equivalent enrollment stemming from implementation of the \$50 per semester unit charge If enrollment decreases do occur, their revenue impact will be spread over a three-year period beginning with the 1994-95 fiscal year

The two fee increases -- which are effective for only half the 1992-93 fiscal year commencing in January -- are estimated to provide the community colleges with an additional \$46 million this year after increasing funding to assist financially needy students

Finally, SB 766 also provides the community colleges with a \$241 million loan to be repaid from their 1993-94 and 1994-95 State appropriations After considering all sources of revenue, the community colleges receive about \$101 million in additional revenue -- a 39 percent increase -- over last year's level

Despite the fact that the community colleges receive an additional \$101 million from all revenue sources, the budget is supposed to provide \$128

million to fund growth in the number of full-time-equivalent students enrolled. In addition to the \$128 million augmentation for growth, the budget also provides augmentations of about \$60 million for other community college programs and initiatives, including

- ♦ \$26 million to cover the colleges' 1991-92 deficit,
- ♦ \$5 million for basic skills,
- ♦ \$6.7 million for program improvement,
- ♦ \$4.3 million for Phase II of the management information system,
- ♦ \$8.4 million for growth in categorical programs such as EOPS, BFAP, CARE, and DSPS,
- ♦ \$4.4 million for the GAIN program,
- ♦ \$1.1 million for underrepresented student programs, and
- ♦ \$800,000 for earthquake repairs

“ only about \$45 million of the \$101 million total community college revenue increase is available to fund growth in the number of full-time-equivalent students. The Chancellor's Office is in the process of consulting with all appropriate parties to determine exactly which augmentations contained in the budget should actually be funded and whether any of \$60 million appropriated for non-growth augmentations described above can be used to increase funding for growth in the number of students ”

Since most of the \$60 million in non-growth augmentations is provided for in specific line-item allocations, monies must be spent on these programs and cannot be unilaterally shifted to provide funding for growth. As a result, only about \$45 million of the \$101 million total community college revenue increase is available to fund growth in the number of full-time-equivalent students. The Chancellor's Office is in the process of consulting with all appropriate parties to determine exactly which augmentations contained in the budget should actually be funded and whether any of the \$60 million appropriated for non-growth augmentations described above can be used to increase funding for growth in the number of students.

While Proposition 98 itself is not suspended, SB 766 also repeals the statutory split of Proposition 98 revenues between K-12 and community colleges for this year. This means that rather than receiving 11.09 percent of Proposition 98 revenues in 1992-93, the community colleges will receive only 10.04 percent.

According to enrollment projections of the Department of Finance, total revenues available to the community colleges maintain per full-time-equivalent student funding at the same level as last year -- about \$3,000 per full-time-equivalent student.

#### *California Student Aid Commission*

The California Student Aid Commission's State General Fund budget for local assistance (grant programs) is \$145 million this year -- \$24 million or 14.6 percent less than last year, despite the fact that student fees increased by 40 and 24 percent at the State University and University, respectively. Because the State Budget does not provide aid to cover these fee increases, it forces the Student Aid Commission to actually reduce the



size of Cal Grant awards. Despite this decrease in State General Fund support for grant programs, both federal and other funds have increased, meaning that overall funding for grant programs has actually declined by 13.2 percent.

The Student Aid Commission decided prior to enactment of the final budget to reduce all grants by the same proportion as their reduction in funding. For the fall term, all awards -- including Cal Grants -- have been reduced by the Student Aid Commission by 15.2 percent. However, the State General Fund reduction for grant programs amounted to 14.6 percent and, if all fund sources are considered, the overall level of funding for grants declined by 13.2 percent. As a result, the Postsecondary Education Commission's Executive Director has written to the Student Aid Commission to seek clarification as to the reason that grants were reduced by a greater percentage than the reduction in available funding.

“Given the increases in student fees and the 15.2 percent reduction in Cal Grant award amount, full Cal Grant recipients at the University of California in 1992-93 will receive on average an award of about \$2,100, meaning that about \$930 of their total fees are not covered by their grants. At the State University, the Cal Grant award will not cover about \$540 of the students' total fees. And students attending the State's independent colleges and universities will see their maximum Cal Grant award decline from \$5,250 to \$4,450.”

Given the increases in student fees and the 15.2 percent reduction in Cal Grant award amount, full Cal Grant recipients at the University of California in 1992-93 will receive on average an award of about \$2,100, meaning that about \$930 of their total fees are not covered by their grants. At the State University, the Cal Grant award will not cover about \$540 of the students' total fees. And students attending the State's independent colleges and universities will see their maximum Cal Grant award decline from \$5,250 to \$4,450.

The University of California has indicated that it will provide a combination of grant and loan assistance to Cal Grant recipients in covering \$550 -- this year's University of California fee increase -- of the total \$930 which their Cal Grant award will not cover this year. Similarly, the State University indicates that it will provide a grant of \$372 to Cal Grant recipients to cover a portion of the \$540 in fees not paid for by their Cal Grant award, meaning that needy students will still have to find about \$165 to pay their State University student fees for the year. The State University's decision to assist these needy Cal Grant recipients with additional grant assistance means that about \$9.4 million of its reduced budget must be redirected from other programs and activities to fund this additional financial aid.

*California  
Postsecondary  
Education  
Commission*

The Commission's final General Fund budget for 1992-93 is \$2.5 million -- \$466,000, or 15.4 percent, less than last year. This year's legislative budget contained Supplemental Report Language requesting that the Commission reexamine its faculty salary methodology and study student fees at the California Maritime Academy but provides no new resources for these purposes. The language containing these legislative requests appears in Appendix A on page 17. This year, as in the last, the Governor vetoed

“Despite the Governor’s veto of the report, the Commission will endeavor to fulfill the intent and desire of the Legislature

both the University and State University are supportive of carrying out the Legislature’s intent by providing the Commission with information on executive compensation. As a result, the Commission will be reviewing and discussing the issue of executive compensation annually in the future.”

#### **Senate Bill 1533**

the Supplemental Report, noting that “it is unreasonable to expect State agencies to respond to special requests during a year when budget reductions severely impact their ability to perform statutory requirements.” Despite the Governor’s veto of the report, the Commission will endeavor to fulfill the intent and desire of the Legislature in responding to the above noted issues.

In passing the budget bill, the Legislature also included control language (reproduced in Appendix B on page 19) expressing its intent that the University of California and the California State University both report to the Commission annually by January 1 on the level of total compensation provided their executives and that the Commission review and comment on that information by March 1. In signing the budget act, the Governor also vetoed this provision, noting that while he was supportive of public discussion of executive compensation, the provision was unduly restrictive. He added that both the Regents and the Trustees are “fully accountable for the programs they administer and the funds with which they are entrusted.”

Despite the Governor’s veto of this provision, both the University and State University are supportive of carrying out the Legislature’s intent by providing the Commission with information on executive compensation. As a result, the Commission will be reviewing and discussing the issue of executive compensation annually in the future.

In an attempt to provide additional resources for higher education, Assemblymembers Hayden and Vasconcellos amended Senate Bill 1533 during the last hours of the general legislative session. In addition to providing the Student Aid Commission’s grant programs with additional funding, thereby eliminating its 14.6 percent reduction for grant programs and enabling the Cal Grants to cover the full fees of recipients at the University of California and the California State University, the amendment would have also increased funding for the University and the State University by \$16.4 million and \$32 million, respectively.

To finance these increases in funding for higher education, the bill would have (1) increased by \$23 million the level of unallocated cuts to most General Fund agencies, (2) eliminated funding for public information officers, (3) reduced all travel expenditures by 50 percent for General Fund agencies, (4) cut 16 percent rather than 10 percent from numerous special funds and transferred the savings to the General Fund, (5) reduced funding for the Department of Commerce by \$6 million, (6) reduced funding for judges’ retirement by \$4.3 million, and (7) reduced appropriations for the aeronautics program by \$5.3 million.

Additionally, SB 1533 would have required that the University of

California's 24 percent student fee increase be included in the base fee for the 1993-94 and 1994-95 academic years, but not in 1995-96 and subsequent years. In addition, it would have required the University to reduce \$30 million from administrative expenditures. It would have also required the State University to reduce salaries for all employees by 4.66 percent and for it to provide half-year merit salary adjustments for all eligible faculty and staff beginning January 1, 1993. Further, the bill contained language indicating the intent of the Legislature to reconvene the Joint Committee for Review of the Master Plan for Higher Education.

In terms of the community colleges, SB 1533 would have reduced the proposal to increase the community college student fee from \$10 per semester unit to \$9 per semester unit up to a maximum \$90 per semester, while providing discretion to local community college governing boards to assess up to an additional \$3 per semester unit to a maximum \$30 per semester. The bill would have increased the community college loan by \$44 million to compensate for the decrease in student fee revenues, with that loan to be repaid over the next three years.

The bill passed the Assembly on a 55-9 vote, but failed in the Senate -- three votes short of the minimum needed for passage. The bill may be reconsidered when the Legislature reconvenes for a special session on October 8.

#### **Summary and conclusion**

The 1992-93 State Budget -- for the second consecutive year -- makes real reductions in the amount of State General Fund support provided to California higher education. In total, California higher education will receive over \$800 million less in General Funds this year than last -- with its percentage of the State General Fund budget decreasing from 13.4 percent to 11.7 percent. To offset a portion of that reduction in State support, student fees will increase significantly again this year -- with fees for full-time students rising 24 percent at the University of California, 40 percent at the State University, and 150 percent at the community colleges. Even given the increases in student fee revenue -- with the exception of the community colleges -- all California higher education entities will have less revenue available to support their mission this year than last.

The budget does, however, begin to set priorities as to who should be subsidized in California public higher education and the extent of that subsidy. The budget mandates that students who already possess a bachelor's or more advanced degree and are enrolled in California's public community colleges should pay higher fees than non-baccalaureate holders, and therefore receive a smaller State subsidy than such students. Similarly, students enrolled for a second duplicate degree in California's public universities will also be required to pay higher fees -- again in an effort to target the State's limited resources to those who have not yet had an opportunity to profit

“the State’s level of investment in its future has diminished to such an extent that its higher education institutions may be unable to fully fulfill their responsibility of training the State’s future workforce and leaders

The time has come for the State to make a conscious decision about the future of its higher education institutions, and therefore its own future, rather than backing into such decisions through the budgetary process ”

from publicly subsidized higher education in California

Of greatest concern is the fact that the budgetary reductions enacted again this year mean that California higher education is moving even further away from its ability to adhere to the principles outlined in California’s Master Plan for Higher Education Those principles of student access to, quality in, and choice among California’s colleges and universities are at serious risk

However, California’s future is also at risk, since higher education is the State’s future Unfortunately, the State’s level of investment in its future has diminished to such an extent that its higher education institutions may be unable to fully fulfill their responsibility of training the State’s future workforce and leaders The time has come for the State to make a conscious decision about the future of its higher education institutions, and therefore its own future, rather than backing into such decisions through the budgetary process

# APPENDIX A

## Vetoed Supplemental Report Language Regarding the California Postsecondary Education Commission

### Item 6420-001-001 -- California Postsecondary Education Commission

1. ***Faculty Salary Methodology.*** The California Postsecondary Education Commission (CPEC) shall convene the technical advisory committee on faculty salaries in order to evaluate whether the estimated average salaries at the University of California's (UC) comparison institutions should be adjusted (weighted) to take into account the number of faculty at each institution as is the case in the calculation of the average salary for the California State University's (CSU) comparison group average faculty salary. According to the Legislative Analyst the "weighted" average more accurately represents the average faculty market salary and is the desired approach if the Legislature intends to use the parity figure as an estimate of the average salary paid to faculty at comparable universities. If CPEC and the technical advisory committee determine that it is appropriate to retain the current "unweighted" methodology in the computation of UC's comparison group's average salary, the commission shall clearly specify the justification for this decision and its implication on the parity figure calculation for the CSU. The CPEC shall report its recommendations to the Joint Legislative Budget Committee and the legislative fiscal committees by November 15, 1992. It is the intent of the Legislature that if the CPEC finds the Analyst's recommended "weighted" approach desirable, that this methodology change shall take effect with the computation of the parity figures for 1993-94.

### Item 6860-001-001 -- California Maritime Academy

5. ***Study on the California Maritime Academy Fee Levels.*** It is the intent of the Legislature that the California Postsecondary Education Commission (CPEC) review the student fee levels of the CMA and make a recommendation on the appropriate fee level in comparison to other comparable institutions or programs throughout the country. In particular, CPEC should comment on the merits of continuing a policy of having CMA's fees comparable to the California State University. This report shall be submitted to the Joint Legislative Budget Committee and legislative fiscal committees by March 1, 1993.

# APPENDIX B

## Vetoed Budget Control Language (AB 979) Regarding the California Postsecondary Education Commission

SEC 2480 (a) It is the intent of the Legislature that the Regents of the University of California and the Trustees of the California State University provide written notice to the Joint Legislative Budget Committee, the fiscal committees of each house, the appropriate policy committees of each house, and the Governor of any proposed change to the compensation of its executive officers, respectively, at least 60 days prior to the effective date of any proposed change

(b) It is the intent of the Legislature that the University of California and the California State University report to the California Postsecondary Education Commission on January 1 of each year, beginning on January 1, 1993, on the level of the total compensation package for executives of the University of California (including the president, senior and vice presidents, and campus chancellors) and the California State University (including the chancellor, senior and vice chancellors, and campus presidents), respectively. Information on the total compensation package shall include detail concerning all of the following

(1) The structure and amount of salary compensation (current and deferred cash benefits), including, but not limited to, all special supplemental income plans and nonqualified deferred income plans

(2) Actual expenditure data associated with health and retirement benefits and perquisites by all funding sources (including Non-General Funds), including, but not limited to, salary, insurance benefits, payment of federal and state income taxes, payment of property taxes, housing allowances, house maintenance allowances, benefits to spouse, subsidized interest rates, and expense accounts

It is the intent of the Legislature that the California Postsecondary Education Commission review the information provided and transmit its comments thereon to the Joint Legislative Budget Committee, the fiscal committees of each house, the appropriate policy committees of each house, and the Governor on or before March 1 of each year, beginning on March 1, 1993

# CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

## Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of April 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*  
Guillermo Rodriguez, Jr., San Francisco, *Vice Chair*  
Elaine Alquist, Santa Clara  
Mim Andelson, Los Angeles  
C. Thomas Dean, Long Beach  
Jeffrey I. Marston, San Diego  
Melinda G. Wilson, Torrance  
Linda J. Wong, Los Angeles  
Ellen F. Wright, Saratoga

Representatives of the segments are

Roy T. Brophy, Fair Oaks, appointed by the Regents of the University of California,  
Yvonne W. Larsen, San Diego, appointed by the California State Board of Education,  
Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,  
Ted J. Saenger, San Francisco, appointed by the Trustees of the California State University,  
Kyhle Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and  
Frank R. Martinez, San Luis Obispo, appointed by the Council for Private Postsecondary and Vocational Education

The two student representatives are  
Stephen Leshner, Meadow Vista  
Beverly A. Sandeen, Costa Mesa

## Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

## Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph.D., who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933.



# APPROPRIATIONS IN THE 1992-93 STATE BUDGET FOR HIGHER EDUCATION

## Commission Report 92-27

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Single copies may be obtained without charge from the Commission at 1303 J Street, Fifth Floor, Sacramento, California 95814-2938. Recent reports include

- 92-17 *A Framework for Statewide Facilities Planning: Proposals of the California Postsecondary Education Commission to Improve and Refine the Capital Outlay Planning Process in California Higher Education* (August 1992)
- 92-18 *Guidelines for Review of Proposed University Campuses, Community Colleges, and Educational Centers: A Revision of the Commission's 1990 Guidelines for Review of Proposed Campuses and Off-Campus Centers* (August 1992)
- 92-19 *Approval of the Lemoore Center of the West Hills Community College District: A Report to the Governor and Legislature in Response to a Request from the Board of Governors to Recognize the Center as the Official Community College Center for the Lemoore/Hanford Area of Kings County* (August 1992)
- 92-20 *Commission Comments on the Systems' Final Funding Gap Reports: A Second Report to the Legislature and the Governor in Response to Supplemental Report Language of the 1991 Budget Act* (August 1992)
- 92-21 *Services for Students with Disabilities in California Public Higher Education, 1992: The Second in a Series of Biennial Reports to the Governor and Legislature in Response to Assembly Bill 746 (Chapter 829, Statutes of 1987)* (August 1992)
- 92-22 *Exchanging Students with Eastern Europe: Closing a Half-Century Learning Gap: A Report to the Governor and Legislature in Response to Assembly Concurrent Resolution 132 (Resolution Chapter 145, Statutes of 1990)* (August 1992)
- 92-23 *1992-93 Plan of Work for the California Postsecondary Education Commission: Major Studies and Other Commission Activities* (August 1992)
- 92-24 *Resource Guide for Assessing Campus Climate* (August 1992)
- 92-25 *Meeting the Challenge: Preparing for Long-Term Change in California Higher Education*, by Warren H. Fox. *Report of the Executive Director to the California Postsecondary Education Commission*, August 24, 1992 (August 1992)
- 92-26 *California College and University Exchange Programs with Mexico: A Staff Report in Response to a Request from the 1991 United State-Mexico Border Conference on Education* (October 1992)
- 92-27 *Appropriations in the 1992-93 State Budget for Higher Education: A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-28 *Legislation Affecting Higher Education During the Second Year of the 1991-92 Session: A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-29 *Eligibility and Participation in California's Public Universities in the Year 2000: Projections by the Staff of the California Postsecondary Education Commission* (October 1992)